To Principals of
Academies/Project
Managers

19 December 2007

Dear Colleague

STANDARDS FUND AND DEVOLVED FORMULA CAPITAL (DFC) PAYMENTS, 2008-09

1. This letter sets out the arrangements for making these payments, which will be changing from April 2008. Up until now, payments of Standards Fund and Devolved Formula Capital grants to academies have been made through local authorities. On 25 June it was announced, as part of the decisions taken by Ministers on school funding for the period 2008-11, that specific grants would henceforth be paid direct by DCSF. Some transitional arrangements are necessary and these are described in this letter.

Standards Fund

2. All academies receive the main element of Standards Fund grant, which is called School Development Grant, and some academies receive other types of grant. It is a financial year grant – that is, entitlement runs from April to March. For the financial year 2008-09, all academies open in September 2007 will start to receive Standards Fund grant in their monthly instalments of GAG paid by the Department from April 2008 onwards, and will no longer receive such grant from their local authority. This change has been signalled in the Standards Fund Circular for 2008-11 (available at http://www.teachernet.gov.uk/docbank/index.cfm?id=12227_).
3. The basis of allocation has not been finally fixed by the Department, but the core guarantee applying to School Development Grant (that 2008-09 allocations will be at least as much per pupil in cash terms as in 2007-08) will be adhered to. Allocations will be notified in the final funding letters due to be issued by 31 March 2008. Allocations will be based on pupil numbers in January 2008 and to facilitate this, it will be necessary for the Department to collect separately from academies the total pupil numbers returned in the January 2008 schools census, as it already does for CTCs (complete 'cleaned' data from the census does not become available until late spring).

4. If an academy is due to open in 2008, arrangements for payment will depend on whether it is converting from maintained status. If so, funding for its grant has been included in the overall allocation for the relevant local authority, and the authority will be responsible for paying grant to the academy in the first seven months of its existence after it opens in September 2008, as a continuation of the payments being made to the closing predecessor school. If the Academy is a completely new school, or has a predecessor which was a CTC or other independent school, direct payment of Standards Fund grant by DCSF will start immediately from September 2008.

5. From FY2009-10, all academies which are open in September 2008 will have direct payment of Standards Fund grants by DCSF; but again, those opening in September 2009 on conversion from a maintained predecessor will still receive payments through the local authority, until the start of 2010-11.

**Devolved Formula Capital**

6. Because Devolved Formula Capital is based on lagged schools census data (that is, 2008-09 allocations are based on pupil numbers in January 2007), the transitional arrangements for DFC will be different from those above. DFC is also a financial year grant.
Academies open before September 2007

7. 2008-09 DFC allocations for these academies have been included in the overall allocations to local authorities. Payment of grant will be made by the local authority (but see below also).

Academies opening in September 2007 or September 2008

8. 2008-09 DFC allocations for academies opening in September 2007 or September 2008 have been included in overall local authority allocations if there was a maintained predecessor school, and payment will be made by the authority. For academies with no predecessor or a CTC/independent predecessor, payment will be made by DCSF, with allocations based on funded numbers for 2008.

Top-up payments

9. The Department is aware that in some cases the amounts allocated to local authorities in respect of academies do not fully reflect the new DFC calculation methodology which applies from 2008-09, and that some academies are entitled to higher amounts than those included in the authority's total. In such cases the Department will make a direct payment of the difference to the academy concerned.

VAT

10. From 2008-09, DFC rates for academies will be adjusted to ensure that they reflect the VAT liability incurred by academies. In consequence all academies will receive an additional amount direct from DCSF to recognise this.

Notification of amounts

11. In past years there has sometimes been confusion over the amounts of DFC which academies should receive. In order that each academy can check its entitlement, a letter will be issued in January 2008 which explains the revised
allocation methodology mentioned above, and sets out for each academy how much DFC will be paid by the LA (if any) and how much by the Department, including the VAT supplement.

2009 onwards

12. From 2009-10, all DFC payments will be made direct by DCSF, except that academies converting in 2009 from maintained school predecessors will get grant through the local authority for the period September 2009 - March 2010, and only then move to direct payment.

Enquiries

13. Enquiries about the contents of this letter may be made by email to academies.financeteam@dcsf.gsi.gov.uk. However, actual figures for Standards Fund and DFC allocations will not be available before the issue of the letters mentioned in paragraphs 3 and 11.

14. This letter has been sent to project managers of 2008 academies where no Principal-Designate has yet been appointed. It has also been sent by email to Finance Directors, and will soon be made available to local authorities via the capital funding site at http://www.teachernet.gov.uk/management/

Yours sincerely

S BISHOP
Academies Finance Team